

QUINCY FIRE ASSOCIATION  
BRANCH COUNTY, MICHIGAN

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

MARCH 31, 2005

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>QUINCY FIRE ASSOCIATION</b>	County <b>BRANCH</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>6/30/05</b>	Date Accountant Report Submitted to State: <b>10/21/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

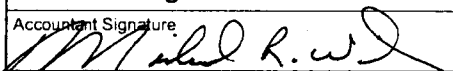
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Norman &amp; Paulsen, PC</b>			
Street Address <b>127 W Chicago Road</b>	City <b>Sturgis</b>	State <b>MI</b>	ZIP <b>49091</b>
Accountant Signature  <b>CPA</b>		Date <b>10/21/05</b>	

**QUINCY FIRE ASSOCIATION**

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board  
Quincy Fire Association

We have audited the accompanying financial statements of the governmental activities and the major fund of the Quincy Fire Association, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Quincy Fire Association management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Quincy Fire Association, as of March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Norman & Paulsen, P.C.**

*Certified Public Accountants*

127 W. Chicago Road

Sturgis, MI 49091

269.651.3228

Fax 269.651.5146

E-mail

normanpaulsen@charter.net

Other Location:

123 N. Main Street

Three Rivers, MI 49093

269.273.8641

Fax 269.278.8252

E-mail

npnr@npaccounting.com

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As discussed in Note 1 to the financial statements, the Quincy Fire Association adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments Omnibus* and GASB 38, *Certain Financial Statement Notes Disclosures*, as of April 1, 2004.

*Norman J. Paulson, P.C.*

June 30, 2005

## **QUINCY FIRE ASSOCIATION**

### **MANAGEMENT' S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Quincy Fire Association financial performance provides an overview of the Association's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Association's financial statements.

#### **Financial Highlights**

The Association's overall financial position increased by \$13,438 during the fiscal year ended March 31, 2005, which represents 3 percent of the net asset position at the beginning of the year.

The Association's Governmental Funds reflected a total fund balance at March 31, 2005 of \$28,229, which was a decrease of \$762 from the prior year end.

The total Governmental Fund expenditures for the year ended March 31, 2005, amounted to \$248,578, of which \$107,976 were funded from a Federal Emergency Management Agency grant.

#### **Using This Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Association as a whole and present a longer-term view of the Association's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the supporting governmental units have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the supporting governmental units' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Association's operations in more detail than the government-wide financial statements by providing information about the Association's most significant funds.

# QUINCY FIRE ASSOCIATION

## MANAGEMENT' S DISCUSSION AND ANALYSIS

### The Association as a Whole

The following table shows, in a condensed format, the net assets as of the current year end and compared to the prior year end under the modified accrual basis of accounting:

	<u>Governmental Funds</u>	
	<u>2005</u>	<u>2004</u>
Assets	\$ 29,602	\$ 30,505
Liabilities	<u>1,373</u>	<u>1,514</u>
Fund Balance	<u>\$ 28,229</u>	<u>\$ 28,991</u>

The following table shows, in a condensed format, the net assets of the current date as required by GASB 34 stated under the full accrual basis. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

	<u>Governmental Activities</u>
Current and other assets	\$ 29,602
Capital assets	<u>466,166</u>
Total assets	495,768
Current and other liabilities	1,373
Net assets	
Invested in capital assets, net of related debt	466,166
Unrestricted	<u>28,229</u>
Total net assets	<u>\$ 494,395</u>

# QUINCY FIRE ASSOCIATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets during the current year as compared to the prior year, under the modified accrual basis of accounting:

	Governmental Funds	
	2005	2004
Revenue		
Intergovernmental support	\$ 136,452	\$ 320,060
Federal grant	107,976	-
Interest	184	255
Contributions	2,707	6,563
Miscellaneous	<u>497</u>	<u>7,423</u>
Total revenue	247,816	334,301
Program expenses		
Public safety - fire protection	<u>248,578</u>	<u>324,961</u>
Excess (deficiency)	<u>\$ (762)</u>	<u>\$ 9,340</u>

The following table shows, in a condensed format, the changes in net assets as of the current date as required by GASB 34 stated under the full accrual basis of accounting. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

	Governmental Activities
Revenues	
Program revenues	
Charges for services	\$ 124,446
Grants and contributions	122,689
General revenues	
Investment earnings	184
Miscellaneous	<u>497</u>
Total revenues	247,816
Expenses	
Public safety - fire protection	<u>234,378</u>
Change in net assets	<u>\$ 13,438</u>



## **QUINCY FIRE ASSOCIATION**

### **MANAGEMENT' S DISCUSSION AND ANALYSIS**

#### **The Association' s Funds**

Our analysis of the Association's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detailed information about the significant funds, not the Association as a whole. Major funds for the fiscal year ended March 31, 2005 include the General Fund. The General Fund pays for all of the Association's public safety services and is funded primarily by charges to participating governmental units.

#### **General Fund Budgetary Highlights**

As shown in the required supplemental information, the Association budgeted a breakeven in the original budget. Actual operating results ended up as a decrease of \$762.

The original budget was not amended.

#### **Capital Assets and Debt Administration**

During the year ended March 31, 2005, the Association purchased equipment for \$41,096 as part of the FEMA grant funding.

The Association has no long-term debt obligations.

#### **Contacting the Association' s Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Association's finances and to show the Association's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Association office.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

QUINCY FIRE ASSOCIATION

STATEMENT OF NET ASSETS  
MARCH 31, 2005

	<u>Primary Government</u>	<u>Governmental Activities</u>
ASSETS		
Cash and cash equivalents	\$ 21,450	
Prepaid and other assets	8,152	
Capital assets - net	<u>466,166</u>	
Total assets	495,768	
LIABILITIES		
Accounts payable		<u>1,373</u>
NET ASSETS		
Invested in capital assets, net of related debt	466,166	
Unrestricted	<u>28,229</u>	
Total net assets	<u>\$ 494,395</u>	

See accompanying notes to financial statements

# QUINCY FIRE ASSOCIATION

## STATEMENT OF ACTIVITIES YEAR ENDED MARCH 31, 2005

				Net (Expense) Revenue and Changes in <u>Net Assets</u>
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government				
Governmental activities:				
Public safety	<u>\$ 234,378</u>	<u>\$ 124,446</u>	<u>\$ 122,689</u>	\$ 12,757
General revenues:				
Unrestricted investment earnings				184
Miscellaneous				<u>497</u>
Total general revenues				<u>681</u>
CHANGE IN NET ASSETS				13,438
NET ASSETS - BEGINNING				<u>480,957</u>
NET ASSETS - ENDING				<u>\$ 494,395</u>

See accompanying notes to the financial statements

FUND FINANCIAL STATEMENTS

QUINCY FIRE ASSOCIATION

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2005

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 21,450
Prepaid expenditures	<u>8,152</u>
Total assets	<u>\$ 29,602</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 1,373
 FUND BALANCE	
Designated for fire truck	8,158
Designated for fire barn	5,706
Designated for uniforms	1,398
Unreserved, undesignated	<u>12,967</u>
Total fund balance	<u>28,229</u>
 Total liabilities and fund balance	<u>\$ 29,602</u>

See accompanying notes to the financial statements

QUINCY FIRE ASSOCIATION

GOVERNMENTAL FUNDS  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
MARCH 31, 2005

Total governmental fund balances \$ 28,229

Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities  
are not financial resources and therefore are  
not reported in the funds.

Governmental capital assets	\$ 538,354	
Less accumulated depreciation	<u>(72,188)</u>	<u>466,166</u>

Net assets of governmental activities		<u>\$ 494,395</u>
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See accompanying notes to the financial statements

QUINCY FIRE ASSOCIATION

GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED MARCH 31, 2005

	<u>General Fund</u>
REVENUES	
Intergovernmental support	\$ 136,452
Federal grant	107,976
Interest	184
Contributions	2,707
Miscellaneous	<u>497</u>
Total revenues	247,816
EXPENDITURES	
Public safety - fire protection	207,482
Capital outlay	<u>41,096</u>
Total expenditures	<u>248,578</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	( 762)
FUND BALANCE - BEGINNING OF YEAR	<u>28,991</u>
FUND BALANCE - END OF YEAR	<u>\$ 28,229</u>

See accompanying notes to the financial statements



QUINCY FIRE ASSOCIATION

GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2005

Net change in fund balances - total governmental funds \$ (762)

Amounts reported for governmental activities in the  
statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those  
assets is depreciated over their estimated useful lives.

Expenditures for capital assets	41,096
Depreciation expense	<u>(26,896)</u>

Change in net assets of governmental activities	<u>\$ 13,438</u>
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See accompanying notes to the financial statements

**QUINCY FIRE ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Quincy Fire Association conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant accounting policies establishing GAAP and used by the Association are discussed below.

The Association adopted GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments Omnibus* as of April 1, 2004. Certain of the significant changes in GASB 34 include the following:

- \* A Management Discussion and Analysis (MD&A) section providing an analysis of the Association's overall financial position and results of operation has been included with the financial statements.
- \* Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Association's activities have been provided.
- \* Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$497,258 previously reported in the General Fixed Asset Account Group. In addition, the governmental activities column includes debt obligations totaling \$-0- previously reported in the General Long-Term Debt Account Group.
- \* A change in the fund financial statements to focus on major funds.

The Association also adopted GASB 38, *Certain Financial Statement Note Disclosures*, as of April 1, 2004. GASB 38 modifies note disclosures required by GAAP. The adoption of this change in accounting principles had no effect on the financial condition or result of operations of any of the Association's funds as of and for the year ended March 31, 2005, but did change some of the disclosures required for the notes to the financial statements.

**QUINCY FIRE ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Reporting Entity**

The Quincy Fire Association, by law, is not a separate entity, but a fund shared by the participating governmental units. The Quincy Village Board and the Algansee Township Board, Butler Township Board, and Quincy Township Board have allowed the Association to report as a separate unit.

The Quincy Fire Association operates under a Chairman - joint board form of government and provides the following services as authorized under its inter-local agreement:

Provide fire and rescue protection services to the Village of Quincy and the Townships of Algansee, Butler, and Quincy.

**Basis of Accounting - Government-Wide Financial Statements** - The statement of net assets and the statement of activities display information about the Association as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Association and for each governmental and component unit program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Some functions, such as administrative and financial services include expenses that are, in essence, indirect expenses of other functions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

**QUINCY FIRE ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Association.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the Association's policy to use restricted resources first, then unrestricted resources as they are needed.

**Basis of Accounting - Fund Financial Statements** - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the Association or meets the following criteria:

- \* Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- \* Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**QUINCY FIRE ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The Association reports the following major funds:

**General Fund** - The general fund is the general operating fund of the Association. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from other governmental units.

The following is a description of the major category and fund type within that category:

**Governmental Fund** - All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**Revenue Recognition** - "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Association considers intergovernmental support, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within one year after year end. Reimbursements due for state and federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

**Expenditure Recognition** - The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

**QUINCY FIRE ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The following is a description of the governmental fund types of the Association:

**General Fund** - The general fund is the general operating fund of the Association. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from other governmental units.

**Budgets and Budgetary Accounting** - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general fund. The Association adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget.

**Deposits and Investments** - Statutes authorize the primary government and component units to invest in the following:

- \* In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- \* In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a saving and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- \* In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- \* In United States government of federal agency obligation repurchase agreements.
- \* In banker's acceptances of United States banks.

**QUINCY FIRE ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

- \* In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- \* In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade receivables are shown as net of allowance for uncollectible amounts.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Capital Assets and Depreciation** - Capital assets, which include property, buildings and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Association as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

QUINCY FIRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

	Depreciable <u>Life-Years</u>
Buildings and improvements	15-40
Machinery and equipment	5-20
Vehicles	5-20

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS

The Association uses financial institutions for cash and cash equivalent purposes, which are in accordance with statutory authority.

The accounts maintained in the financial institutions are checking, savings and certificate of deposit.

At March 31, 2005, the carrying amount of the Association's deposits was \$21,450 and the bank balance was \$20,439. The differences between the balances are the result of checks issued by the Association but not yet presented for payment. The risk exposure of all cash and cash equivalents at March 31, 2005, is as follows:

Insured	\$ 20,439
Uninsured	<u>-</u>
Total cash and cash equivalents	<u>\$ 20,439</u>



# QUINCY FIRE ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

### NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2005, was as follows:

	As Amended Balance April 1, 2004	Additions	Disposals	Balance March 31, 2005
<u>Primary Government</u>				
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 75,000	\$ -	\$ -	\$ 75,000
Capital assets, being depreciated:				
Vehicles	190,458	-	-	190,458
Buildings and improvements	231,800	-	-	231,800
Machinery and equipment	-	41,096	-	41,096
Subtotal	422,258	41,096	-	463,354
Accumulated depreciation				
Vehicles	9,523	19,046	-	28,569
Buildings and improvements	35,769	5,795	-	41,564
Machinery and equipment	-	2,055	-	2,055
Subtotal	45,292	26,896	-	72,188
Net capital assets being depreciated	376,966			391,166
Net capital assets	\$ 451,966			\$ 466,166

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public safety	\$ 26,896

**QUINCY FIRE ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005**

**NOTE 4 - RISK MANAGEMENT**

The Association is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Association has purchased commercial insurance for most risks of loss to which it is exposed. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 5 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The annual budget is prepared by the Association management and adopted by the Association Board; subsequent amendments are approved by the Association Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was not amended.

The budget has been prepared in accordance with generally accepted accounting principles.

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Association were adopted on a fund level basis.

During the year ended March 31, 2005, the Association incurred \$4,072 expenditures in excess of the amounts appropriated at the legal level of budgetary control.

REQUIRED SUPPLEMENTAL INFORMATION

# QUINCY FIRE ASSOCIATION

## REQUIRED SUPPLEMENTAL INFORMATION GENERAL FUND BUDGETARY COMPARISON SCHEDULE YEAR ENDED MARCH 31, 2005

	Original and Amended Budget	Actual	Variance With Amended Budget
REVENUES			
Intergovernmental support			
Charges for services			
Algansee Township	\$ 32,356	\$ 32,356	\$ -
Butler Township	21,156	21,156	-
Quincy Township	43,556	43,556	-
Quincy Village	27,378	27,378	-
Grants	12,006	12,006	-
Total intergovernmental support	136,452	136,452	-
Federal grant - FEMA	108,054	107,976	(78)
Interest	-	184	184
Contributions	-	2,707	2,707
Miscellaneous	-	497	497
Total revenues	244,506	247,816	3,310
EXPENDITURES			
Public safety - fire protection			
Wages - Chief	8,500	8,500	-
Wages - Assistant Chief	1,500	5,855	(4,355)
Wages - Deputy Chief	3,000	333	2,667
Wages - Firemen	32,600	29,405	3,195
Payroll taxes	3,800	3,373	427
Life insurance	1,300	1,256	44
Physicals	1,000	-	1,000
Workman's Comp insurance	2,000	2,373	(373)
Fire prevention	3,000	2,937	63
Postage/Freight	100	138	(38)
Supplies	4,500	3,228	1,272
Miscellaneous	100	3,633	(3,533)
Property and liability insurance	11,000	10,646	354
Professional fees	3,000	2,573	427
Advertising	200	47	153
Gas and oil	2,000	2,041	(41)
Telephone	2,000	1,925	75
Heat	3,000	3,500	(500)
Electric	3,500	3,062	438
Water and sewer	400	612	(212)

Continued on next page

**QUINCY FIRE ASSOCIATION**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED MARCH 31, 2005**

	Original and Amended Budget	Actual	Variance With Amended Budget
Truck maintenance	6,000	7,056	( 1,056)
Radio maintenance	800	2,473	( 1,673)
Equipment maintenance	3,000	1,922	1,078
Building maintenance	3,000	4,742	( 1,742)
Training	3,500	4,124	( 624)
Clothing allowance	4,000	3,400	600
Dues and subscriptions	1,800	740	1,060
Equipment	15,846	14,672	1,174
Barn raiser	-	3,938	( 3,938)
FEMA grant expenditures	<u>120,060</u>	<u>120,074</u>	<u>( 14)</u>
Total expenditures	<u>244,506</u>	<u>248,578</u>	<u>( 4,072)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	-	( 762)	( 762)
FUND BALANCE - Beginning of year	<u>28,991</u>	<u>28,991</u>	<u>-</u>
FUND BALANCE - End of year	<u>\$ 28,991</u>	<u>\$ 28,229</u>	<u>\$ ( 762)</u>